



**Department of  
Veterans Affairs**

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# Fact Sheet

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## Medical Care Cost Recovery

The Department of Veterans Affairs collects reimbursements from insurance companies and copayments from certain veterans for medical treatment of nonservice-connected conditions. In addition, VA collects copayments for medications provided on an outpatient basis to treat nonservice-connected conditions.

Throughout most of fiscal year 2002, collections have exceeded \$100 million monthly. In May, VA received a record \$123 million.

### VA's Collection Authority

Public Law (P.L.) 99-272, enacted in April 1986, gave VA authority to seek reimbursement from third-party health insurers for the cost of medical care provided to insured, nonservice-connected veterans. That law also authorized VA to charge a copayment to certain nonservice-connected veterans, depending on their income and assets as specified in law. In fiscal year 1987, the first year of billing, revenue collections totaled \$24 million. Since then, VA's collections have totaled more than \$7.1 billion. That includes an estimated \$1.2 billion expected in fiscal year 2002.

In November 1990, P.L. 101-508 expanded VA's cost recovery program by providing authority to seek reimbursement from third-party payers for the cost of care provided to insured, service-connected veterans treated for nonservice-connected conditions. This law also authorized VA to assess per diem and medication copayments.

P.L. 105-33, enacted in August 1997, allowed VA to retain its collections from health insurers and veterans' copayments at local medical centers or in its regional networks. Before this law, these collections were returned to the Department of Treasury.

This law also gave VA the authority to use "reasonable charges" in submitting claims to insurance carriers, rather than VA cost-based per diems. Reasonable charges are based on amounts that third parties pay for the same services furnished by private-sector health care providers in the same geographic area. VA had used average cost-based per diem rates for billing insurers. Reasonable charges are calculated for inpatient and outpatient facility charges and for professional or clinician charges for inpatient and outpatient care. Since VA has been permitted to retain collected funds, it has collected \$3.8 billion, all used to enhance medical care.

Federal law authorizes VA to recover the cost of medical care for nonservice-connected conditions from health insurance programs (except Medicare and Medicaid) providing

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coverage for veterans, including policies held by veterans, spouses or guardians. Therefore, when applying for treatment at VA medical facilities, veterans are asked about their insurance coverage. Even for veterans with service-connected disability ratings of 40 percent or less, VA collects insurance reimbursement for treating their nonservice-connected conditions. VA will contact their insurance carrier to verify coverage and submit claims to the carrier for the billable services.

### **New Technology To Enhance Collections**

Further enhancing revenue collections, in 2002 VA provided software to medical facilities to implement electronic data interchange (EDI), allowing them to automatically send claims to health insurance carriers through a national clearinghouse (WebMD). These electronic exchanges result in faster claims to insurers and faster payment to VA because the software edits claims for errors, eliminating time-consuming reworking.

VA plans to replace its current billing and receivables software systems with commercial, off-the-shelf software that will streamline processes at medical centers by removing the potential for human error. Medical centers will be able to generate more accurate claims to health insurance companies.

These technological improvements and some new processing methods in development will result in even greater reimbursements to VA and, ultimately, improved health care services for veterans.

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